

CITY OF AUBURN  
AUBURN, NEBRASKA

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

CITY OF AUBURN, NEBRASKA  
TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b>Independent Auditors' Report .....</b>   | <b>1</b>    |
| <b>Basic Financial Statements:</b>  |             |
| <i>Government-wide Financial Statements:</i>  |             |
| Combined Statement of Net Assets - Modified Cash Basis.....   | 2           |
| Statement of Activities - Modified Cash Basis .....   | 3           |
| <i>Governmental Funds Financial Statements:</i>   |             |
| Combined Statement of Assets, Liabilities and Fund Equity - Primary<br>Governmental Funds - Modified Cash Basis .....   | 4           |
| Reconciliation of Combined Statement of Assets, Liabilities and Fund Equity -<br>Governmental Funds - Modified Cash Basis - to Statement of Net Assets .....  | 5           |
| Combined Statement of Receipts, Disbursements and Changes<br>in Fund Balances - General and Debt Service Funds - Primary<br>Government - Modified Cash Basis.....   | 6           |
| Reconciliation of Statement of Receipts, Disbursements, and Changes<br>in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis  | 7           |
| Notes to Combined Financial Statements .....  | 8-20        |
| <b>Required Supplementary Information:</b>  |             |
| Combined Statements of Receipts and Disbursements - Budget and Actual -<br>General, Debt Service and Special Revenue Funds - Primary Government - Budgetary Basis ....  | 22          |
| Note to Required Supplementary Information - Budgetary Comparison Schedule.....   | 23          |
| <b>Other Supplementary Information:</b>   |             |
| Summary of Revenues Received – Modified Cash Basis - General and Debt Service Funds.....  | 25          |
| Summary of Expenditures Paid – Modified Cash Basis - General Fund .....   | 26          |
| Summary of Expenditures Paid – Modified Cash Basis - General Government Fund .....  | 27          |
| Summary of Expenditures Paid – Modified Cash Basis - Cultural and Recreational -<br>Part of General Fund .....  | 28          |
| Schedule of Federal Financial Assistance .....  | 29          |
| Notes to Schedule of Expenditures of Federal Awards.....  | 30          |
| <b>Report on Internal Control Over Financial Reporting and On Compliance<br/>and Other Matters Based on an Audit of Financial Statements Performed<br/>in Accordance with Government Auditing Standards .....</b> | <b>31</b>   |
| <b>Schedule of Findings and Responses.....</b>  | <b>32</b>   |

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**INDEPENDENT AUDITORS' REPORT**

**Honorable Mayor and City Council  
City of Auburn  
Auburn, Nebraska**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Auburn, Nebraska as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion**

The financial statements referred to above include only the government of the City of Auburn, Nebraska, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the enterprise fund of the Auburn Board of Public Works, which the modified cash basis of accounting requires to be reported with the financial data of the City's government. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the government-wide financial statements has not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the reporting entity of the City of Auburn, Nebraska, as of September 30, 2013, or the changes in financial position thereof for the year then ended. In accordance with accounting principles generally accepted in the United States of America, City of Auburn, Nebraska, has issued a separate reporting entity financial statements.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Auburn, Nebraska, as of September 30, 2013, and the respective changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2013 on our consideration of the City of Auburn, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

### **Basis of Accounting**

We draw attention to the Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance.

The City has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburn, Nebraska's financial statements as a whole. The other supplementary information on pages 25 through 30 is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants

Omaha, Nebraska  
October 29, 2013

CITY OF AUBURN, NEBRASKA  
COMBINED STATEMENT OF NET ASSETS – MODIFIED CASH BASIS  
SEPTEMBER 30, 2013

ASSETS

|                                     |                  |
|-------------------------------------|------------------|
| Cash in bank                        | \$ 1,586,037     |
| Certificates of deposit             | 425,452          |
| Cash in custody of County Treasurer | 57,229           |
| Special assessments receivable      | 231,667          |
| Prepaid expenses                    | 21,700           |
| Capital assets:                     |                  |
| Non-depreciable                     | 407,023          |
| Depreciable, net                    | <u>5,520,064</u> |
| Total assets                        | <u>8,249,172</u> |

LIABILITIES

|  |                  |
|--|------------------|
| Accounts payable                       | 1,142            |
| Payflex payable                        | 163              |
| Deferred revenue - special assessments | 231,667          |
| Due on infrastructure improvements     | 152,593          |
| Bonds payable:                         |                  |
| Due within one year                    | 285,000          |
| Due in more than one year              | <u>1,210,000</u> |
| Total liabilities                      | <u>1,880,565</u> |

NET ASSETS

|   |                     |
|---|---------------------|
| Invested in capital assets, net of related debt | 4,432,087           |
| Restricted for:                                 |                     |
| Debt service                                    | 3,830               |
| Community betterment                            | 74,129              |
| Unrestricted                                    | <u>1,858,561</u>    |
| Net assets                                      | <u>\$ 6,368,607</u> |

See the accompanying notes to the financial statements.

**CITY OF AUBURN, NEBRASKA**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

| <u>Functions/Programs</u>               | <u>Expenses</u>  | <u>Program Revenues</u> |                      |                      | <u>Net (Expense)</u> |
|---|------------------|-------------------------|----------------------|----------------------|----------------------|
|   |                  | <u>Charges for</u>      | <u>Operating</u>     | <u>Capital</u>       | <u>Revenue and</u>   |
|   |                  | <u>Services</u>         | <u>Grants and</u>    | <u>Grants and</u>    | <u>Changes in</u>    |
|   |                  |                         | <u>Contributions</u> | <u>Contributions</u> | <u>Net Assets</u>    |
|   |                  |                         |                      |                      | <u>Governmental</u>  |
|   |                  |                         |                      |                      | <u>Activities</u>    |
| Governmental activities:                |                  |                         |                      |                      |                      |
| General government                      | \$ 657,601       | \$ -                    | \$ 5,228             | \$ -                 | \$ 652,373           |
| Public health and safety                | 46,009           | -                       | -                    | -                    | 46,009               |
| Public works                            | 257,139          | -                       | -                    | -                    | 257,139              |
| Culture – recreation                    | 399,979          | 184,188                 | -                    | -                    | 215,791              |
| Debt service                            | 53,186           | -                       | -                    | -                    | 53,186               |
| Keno expenditures                       | 51,946           | -                       | -                    | -                    | 51,946               |
| CDBG program                            | 182,445          | -                       | -                    | -                    | 182,445              |
| Depreciation                            | 280,966          | -                       | -                    | -                    | 280,966              |
| Total governmental activities           | <u>1,929,271</u> | <u>184,188</u>          | <u>5,228</u>         |                      | <u>1,739,855</u>     |
| General revenue:                        |                  |                         |                      |                      |                      |
| Taxes                                   |                  |                         |                      |                      | 653,187              |
| Intergovernmental                       |                  |                         |                      |                      | 668,556              |
| Special assessments                     |                  |                         |                      |                      | 80,918               |
| Interest income                         |                  |                         |                      |                      | 2,611                |
| Keno proceeds                           |                  |                         |                      |                      | 29,866               |
| Local option sales tax                  |                  |                         |                      |                      | 431,618              |
| Licenses and permits                    |                  |                         |                      |                      | 13,390               |
| CDBG program                            |                  |                         |                      |                      | 199,899              |
| Community Redevelopment Authority – net |                  |                         |                      |                      | 119,091              |
| Miscellaneous                           |                  |                         |                      |                      | <u>24,259</u>        |
| Total general revenue and transfers     |                  |                         |                      |                      | <u>2,223,395</u>     |
| Change in net assets                    |                  |                         |                      |                      | 483,540              |
| Net assets – beginning of year          |                  |                         |                      |                      | <u>5,885,067</u>     |
| Net assets – end of year                |                  |                         |                      |                      | <u>\$ 6,368,607</u>  |

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY  
PRIMARY GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
SEPTEMBER 30, 2013

ASSETS

|                                     | <u>Governmental Fund Types</u> |                     |                             |                     |
|-------------------------------------|--------------------------------|---------------------|-----------------------------|---------------------|
|                                     | <u>General</u>                 | <u>Debt Service</u> | <u>Special Revenue Keno</u> | <u>Total</u>        |
| Assets:                             |                                |                     |                             |                     |
| Cash in bank                        | \$ 1,508,078                   | \$ 3,830            | \$ 74,129                   | \$ 1,586,037        |
| Certificates of deposit             | 425,452                        | -                   | -                           | 425,452             |
| Cash in custody of County Treasurer | 57,229                         | -                   | -                           | 57,229              |
| Special assessments receivable      | -                              | 231,667             | -                           | 231,667             |
| Prepaid expenses                    | 21,700                         | -                   | -                           | 21,700              |
| Total assets                        | <u>\$ 2,012,459</u>            | <u>\$ 235,497</u>   | <u>\$ 74,129</u>            | <u>\$ 2,322,085</u> |

LIABILITIES AND FUND EQUITY

|  |                     |                   |                  |                     |
|--|---------------------|-------------------|------------------|---------------------|
| Liabilities:                           |                     |                   |                  |                     |
| Accounts payable                       | \$ 1,142            | \$ -              | \$ -             | \$ 1,142            |
| Payflex payable                        | 163                 | -                 | -                | 163                 |
| Deferred revenue – special assessments | -                   | 231,667           | -                | 231,667             |
| Due on infrastructure improvements     | 152,593             | -                 | -                | 152,593             |
| Total liabilities                      | <u>153,898</u>      | <u>231,667</u>    | <u>-</u>         | <u>385,565</u>      |
| Fund equity:                           |                     |                   |                  |                     |
| Restricted for:                        |                     |                   |                  |                     |
| Debt service                           | -                   | 3,830             | -                | 3,830               |
| Community betterment                   | -                   | -                 | 74,129           | 74,129              |
| Unassigned                             | 1,858,561           | -                 | -                | 1,858,561           |
| Total fund equity                      | <u>1,858,561</u>    | <u>3,830</u>      | <u>74,129</u>    | <u>1,936,520</u>    |
| Total liabilities and fund equity      | <u>\$ 2,012,459</u> | <u>\$ 235,497</u> | <u>\$ 74,129</u> | <u>\$ 2,322,085</u> |

See the accompanying notes to the financial statements.



CITY OF AUBURN, NEBRASKA  
RECONCILIATION OF COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -  
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS – TO STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2013

|   |                    |    |                    |
|---|--------------------|----|--------------------|
| Total fund balance – all governmental funds   |                    | \$ | 1,936,520          |
| Amounts reported for governmental activities in the statement of net assets<br>are different because:                                     |                    |    |                    |
| Capital assets used in governmental activities are not financial resources<br>and therefore not reported in the fund financial statement: |                    |    |                    |
| Capital assets  | 9,388,681          |    |                    |
| Accumulated depreciation  | <u>(3,461,594)</u> |    | 5,927,087          |
| Long-term liabilities are not due and payable in this current period<br>and therefore, are not reported in the funds:                     |                    |    |                    |
| Bonds payable   |                    |    | <u>(1,495,000)</u> |
| Net assets of governmental activities   |                    | \$ | <u>6,368,607</u>   |

See the accompanying notes to the financial statements.

**CITY OF AUBURN, NEBRASKA**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN FUND BALANCES – GENERAL AND DEBT SERVICE FUNDS –**  
**PRIMARY GOVERNMENT – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

|   | Governmental Fund Types |                 |                      |                     |
|---|-------------------------|-----------------|----------------------|---------------------|
|   | General                 | Debt Service    | Special Revenue Keno | Total               |
| <b>Receipts:</b>  |                         |                 |                      |                     |
| Taxes – personal property   | \$ 609,575              | \$ 43,612       | \$ -                 | \$ 653,187          |
| Taxes – sales   | -                       | 431,618         | -                    | 431,618             |
| Special assessments   | -                       | 80,918          | -                    | 80,918              |
| Licenses and permits  | 13,390                  | -               | -                    | 13,390              |
| Intergovernmental   | 673,784                 | -               | -                    | 673,784             |
| Charges for services  | 184,188                 | -               | -                    | 184,188             |
| Miscellaneous   | 26,864                  | -               | -                    | 26,864              |
| Total receipts  | <u>1,507,801</u>        | <u>556,148</u>  | <u>-</u>             | <u>2,063,949</u>    |
| <b>Disbursements:</b>   |                         |                 |                      |                     |
| Current:  |                         |                 |                      |                     |
| General government  | 657,909                 | -               | -                    | 657,909             |
| Public works  | 257,139                 | -               | -                    | 257,139             |
| Public health and safety  | 46,009                  | -               | -                    | 46,009              |
| Cultural and recreational   | 399,978                 | -               | -                    | 399,978             |
| Debt service:   |                         |                 |                      |                     |
| Principal retirement  | 140,000                 | 151,651         | -                    | 291,651             |
| Interest  | 2,500                   | 50,566          | -                    | 53,066              |
| Bond handling fee   | -                       | 120             | -                    | 120                 |
| Total disbursements   | <u>1,503,535</u>        | <u>202,337</u>  | <u>-</u>             | <u>1,705,872</u>    |
| Excess of receipts over (under) disbursements   | <u>4,266</u>            | <u>353,811</u>  | <u>-</u>             | <u>358,077</u>      |
| <b>Other financing sources:</b>   |                         |                 |                      |                     |
| CDBG programs   | 199,899                 | -               | -                    | 199,899             |
| Gross keno proceeds   | -                       | -               | 29,866               | 29,866              |
| Community Redevelopment Authority – net   | 119,091                 | -               | -                    | 119,091             |
| Miscellaneous   | 313                     | -               | -                    | 313                 |
| Transfer from other fund  | 359,201                 | -               | -                    | 359,201             |
| Total other financing sources   | <u>678,504</u>          | <u>-</u>        | <u>29,866</u>        | <u>708,370</u>      |
| <b>Other financing uses:</b>  |                         |                 |                      |                     |
| CDBG programs   | 182,445                 | -               | -                    | 182,445             |
| Keno expenditures   | -                       | -               | 51,946               | 51,946              |
| Capitalized outlays – net   | 153,219                 | -               | -                    | 153,219             |
| Transfer to other fund  | -                       | 359,201         | -                    | 359,201             |
| Total other financing uses  | <u>335,664</u>          | <u>359,201</u>  | <u>51,946</u>        | <u>746,811</u>      |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>347,106</u>          | <u>(5,390)</u>  | <u>(22,080)</u>      | <u>319,636</u>      |
| Fund balance, beginning of year   | <u>1,511,455</u>        | <u>9,220</u>    | <u>96,209</u>        | <u>1,616,884</u>    |
| Fund balance, end of year   | <u>\$ 1,858,561</u>     | <u>\$ 3,830</u> | <u>\$ 74,129</u>     | <u>\$ 1,936,520</u> |

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA  
RECONCILIATION OF STATEMENT OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances – total governmental funds \$ 319,636

Amounts reported for governmental activities in the statement of net activities  
are different because:

Governmental funds report capital outlays as expenditures  
while government activities report depreciation expense  
to allocate those expenditures over the life of the assets:

|                       |                  |           |
|-----------------------|------------------|-----------|
| Capital outlays - net | 153,219          |           |
| Depreciation          | <u>(280,966)</u> | (127,747) |

Warrant and bond proceeds provide current financial resources to  
governmental funds, but issuing debt increases long-term liabilities  
in the statement of net assets. Repayment of warrants and bond  
principal is an expenditure in the governmental funds, but the repayment  
reduces long-term liabilities in the statement of net assets. This is the  
amount by which repayment exceeded proceeds.

291,651

Change in net assets of governmental activities \$ 483,540

See the accompanying notes to the financial statements.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

1. Summary of Significant Accounting Policies

The City of Auburn is a political subdivision of the State of Nebraska located in Nemaha County. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Nebraska. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

This summary of significant accounting policies of the City of Auburn, Nebraska is presented to assist in understanding the City's financial statements. The combined financial statements and notes are representations of the City's management, which is responsible for their integrity and objectivity.

Reporting Entity

The financial statements include all funds of the City, except for the Board of Public Works. Other than for this exception, the criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those agencies, offices, organizations, commissions, and public authorities over which the City's elected officials exercise oversight responsibility are included in the financial statements. Manifestations of oversight responsibility are included in the financial statements. Manifestations of oversight responsibility over an entity include: 1) financial interdependency, 2) selection of governing authority, 3) designation of management, 4) ability to significantly influence operations, and 5) accountability for fiscal matters.

Related Organizations

The Auburn Board of Public Works is a related organization but is excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. An audit of the Auburn Board of Public Works will be completed for the year ending December 31, 2013 and will be filed under separate cover.

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The general services that the City performs for its citizens are classified as governmental activities. The City's utilities including electric, water and sewer are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column. The governmental and fiduciary activities are reported on a cash basis, and the business-type activity is reported on a full accrual, economic resource basis. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt services; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

1. Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements - Continued

The government-wide Statement of Activities reports both the gross and net cost of each of the City's governmental functions and business-type activities. The net costs of each governmental function are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the governmental function or business-type activity. Operating grants include operation-specific and discretionary grants while the capital grants column reflects capital-specific grants.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its asset, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by classification within the financial statements.

The following fund types are used by the City:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than net income. The following is a description of the governmental funds of the City:

General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. On an accrual basis, revenues are recognized when earned. Expenditures are recorded when liabilities are incurred, regardless of the timing of related cash flows.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

1. Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting - Continued

In the fund financial statements, both funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they become both measureable and available. Available means collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recognized in the period the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources in governmental funds.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is to pay the expenditure from restricted fund balance and then from less restrictive classifications – committed, assigned and then unassigned fund balances.

Property tax revenues are recognized when susceptible to accrual. Revenues on special assessments and miscellaneous revenues are recognized as the amounts are collected. Investment earnings are recorded as earned since they are measureable and available.

Financial Statement Accounts

Cash and Certificates of Deposit

The City considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments in debt securities are carried at fair value and cash deposits at financial institutions are carried at cost, which reasonably estimate fair value. Income from investments held by the individual funds is recorded in the respected funds as it is earned.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the government-wide statements. Capital assets are defined as assets that have initial lives that extend beyond a single reporting period. Capital assets are stated at cost or estimated historical cost if actual is unavailable, except for donated assets, which are recorded at their fair values when donated.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

1. Summary of Significant Accounting Policies - Continued

Financial Statement Accounts - Continued

Capital Assets - Continued

The City maintains the following minimum capitalization thresholds for capital assets:

|                                   |    |        |
|-----------------------------------|----|--------|
| Building and improvements         | \$ | 50,000 |
| Land improvements                 | \$ | 20,000 |
| Machinery, equipment and vehicles | \$ | 15,000 |
| Infrastructure                    | \$ | 40,000 |

The City has elected to capitalize governmental fund type infrastructure, consisting primarily of street improvements, on a prospective basis. Consequently, the financial statements do not include infrastructure prior to October 1, 2003 with the exception of significant street projects.

Major expenditures for property and those which substantially increase useful lives, are capitalized. Maintenance, repairs and minor renewals, and capital assets purchased under the capitalization threshold, are expensed when incurred. When capital assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Net interest cost relating to construction is capitalized.

Depreciation has been provided using the straight-line method over estimated useful lives as follows:

|              |               |
|--------------|---------------|
| Buildings    | 15 - 50 years |
| Improvements | 7 - 30 years  |
| Equipment    | 7 - 30 years  |
| Vehicles     | 7 - 15 years  |
| Street       | 30 - 40 years |

Fund Financial Statements

In the fund financial statements, capital assets (arising from cash transactions) acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and certificates of deposit that are restricted as to their use. The primary restricted assets are related to revenue bonds payable and outstanding warrants payable.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

1. Summary of Significant Accounting Policies - Continued

Financial Statement Accounts - Continued

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Net Assets/Fund Equity

The government-wide fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This category represents net assets of the City not restricted for any project or other purpose.

Fund equity – In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantor or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.
- Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same action it employed to commit those amounts.
- Assigned – Amounts the City intends to use for specific purposes.
- Unassigned – All amounts not included in other classifications.



CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

1. Summary of Significant Accounting Policies - Continued

Property Tax Revenues

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1, and are payable in two installments on the following May 1 and September 1. All taxes are delinquent the September 1 following the year levied. The County bills and collects property taxes and remits them to the City monthly.

Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 10, the Mayor submits to the City Council, a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 20, the budget is legally enacted through the passage of an ordinance.

Total expenditures may not legally exceed total budget appropriations. Appropriations lapse at year-end and any revisions require Board approval.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

All taxes, which are collected through the Nemaha County Treasurer, are from property owners within the City. Consequently, the City's ability to collect the taxes may be affected by economic fluctuations near the City of Auburn, Nebraska. To date, such concentrations of credit risk have not had a material effect on the financial statements.

2. Cash and Certificates of Deposit

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the City will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its own principal and/or interest payments owed to the City
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

2. Cash and Certificates of Deposit - Continued

State statutes authorize the City to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council. The City currently invests in only certificates of deposit, which as defined by Governmental Accounting Standards Board Statement No. 3, the City has no investments as of September 30, 2013.

State law requires all funds in depositories to be fully insured or collateralized, and the City's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At September 30, 2013, the City's deposits were fully insured or collateralized.

As of September 30, 2013, the carrying amount of the City's pooled cash accounts was \$1,593,671. In addition, the City has investments in the form of certificates of deposit worth \$300,746 at September 30, 2013 at one bank. Of the total City deposits, \$500,000 was covered by federal depository insurance; \$960,000 was covered by various County, City and school district bond certificates and \$400,000 and \$500,000 was covered by Freddie Mac Bank notes and Federal Home Loan Mortgage Corporation notes, respectively, held in the pledging bank's trust department in the City's name in the form of joint safekeeping receipt.

3. Cash in Custody of County Treasurer

The City of Auburn, Nebraska has additional cash held for its account by the Nemaha County Treasurer. The changes in the funds held are as follows:

|   | Fund      |           |              |           |
|---|-----------|-----------|--------------|-----------|
|   | TIF       | General   | Debt Service | Total     |
| Balance, September 30, 2012                 | \$ -      | \$ 78,479 | \$ 5,828     | \$ 84,307 |
| Receipts:                                   |           |           |              |           |
| Tax collections                             |           |           |              |           |
| (net of collection fee)                     | 211,798   | 494,466   | 39,755       | 746,019   |
| Interest on tax collection                  | -         | 3,168     | 254          | 3,422     |
| Homestead exemption (net of collection fee) | -         | 25,954    | 2,087        | 28,041    |
| Car line tax allocation                     | -         | 109       | 9            | 118       |
| Motor vehicle                               | -         | 67,053    | -            | 67,053    |
| Pro-rate                                    | -         | 1,762     | 142          | 1,904     |
| Property tax relief                         | -         | 17,063    | 1,365        | 18,428    |
| Total receipts                              | 211,798   | 609,575   | 43,612       | 864,985   |
| Disbursements Remitted to City              | (211,798) | (634,701) | (45,564)     | (892,063) |
| Balance, September 30, 2013                 | \$ -      | \$ 53,353 | \$ 3,876     | \$ 57,229 |

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

4. Special Assessments Receivable

Revenue from special assessments has been deferred and is being amortized to revenue as payments are collected in the governmental activities financial statements.

Special assessments were against certain properties within the district in connection with the construction of street improvements. Special assessments bear interest at 7.00% - 8.00% per annum until delinquent and at the rate specified by law thereafter until paid. The City received \$58,977 of principal and \$21,941 of interest less net county treasurer fees of \$1,232 and wrote off \$1,385 on special assessments during the year. They issued \$0 in new assessments and as of September 30, 2013, the balance remaining to collect was \$231,667.

5. Capital Assets

All capital assets are carried at their original cost. A summary is presented below:

|   | Balance<br>September 30,<br>2012 | Additions   | Deletions | Balance<br>September 30,<br>2013 |
|---|----------------------------------|-------------|-----------|----------------------------------|
| Land  | \$ 407,023                       | \$ -        | \$ -      | \$ 407,023                       |
| Building and<br>improvements                          | 4,067,825                        | -           | -         | 4,067,825                        |
| Equipment   | 747,520                          | -           | -         | 747,520                          |
| Vehicles  | 834,029                          | 21,973      | 184,411   | 671,591                          |
| Street  | 3,307,403                        | 187,319     | -         | 3,494,722                        |
|   | 9,363,800                        | 209,292     | 184,411   | 9,388,681                        |
| Less accumulated<br>depreciation                      | 3,308,966                        | 280,966     | 128,338   | 3,461,594                        |
| Capital assets, net of<br>accumulated<br>depreciation | \$ 6,054,834                     | \$ (71,674) | \$ 56,073 | \$ 5,927,087                     |

The City recorded depreciation expense of \$280,966 for the year ended September 30, 2013.

6. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 31, and are payable in two installments on May 1 and September 1. The County bills and collects property taxes and remits to the City monthly. Property taxes are recognized as revenues when they are received by the County Treasurer.

The tax levy for the 2012-2013 fiscal year was \$584,468 or \$.4754 per \$100 of assessed valuation. The total assessed valuation was \$122,948,266 for the 2012-2013 fiscal year.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

7. Retirement Commitments

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one anniversary year of service and after reaching age 21. Employees must also work 1,000 hours per year to be eligible to participate. Enrollment in the plan is voluntary. Participation in the plan requires that the employee contribute 4% of the employee's monthly salary. The City is required to contribute 6% of participating employee salaries. The City's contributions for each employee (and interest allocated to the employee's account) are partially vested after each year of service and fully vested after 5 years of service. The City's contribution and related interest forfeited by employees is used to reduce the City's current period contribution requirement.

The total payroll and eligible payroll for the City for the year ended September 30, 2013 was \$411,315 and \$241,266, respectively. The City's share of the contribution was \$14,476 and employees contributed \$15,467 for the year ended September 30, 2013.

8. Outstanding Warrants Payable

There were no warrants issued during the fiscal year ended September 30, 2013.

9. Bonds Payable

The 2004 general obligation various purpose bonds for \$645,000 were issued to refinance the warrants payable at September 30, 2003. The bonds were refinanced on September 1, 2009. The 2009 refunding purpose bond reissue was for \$480,000. The bonds bear interest at 2.10% - 3.75% per annum and are repayable in installments of \$45,000 - \$55,000 per year through August 1, 2019.

The 2009 general obligation various purpose bonds for \$875,000 were issued to refinance the warrants payable at June 1, 2009. The bonds bear interest at 2.25% - 4.50% per annum and are repayable in installments of \$50,000 - \$75,000 per year through June 15, 2024.

The 2010 general obligation paying bonds for \$255,000 were issued to refinance certain warrants payable at April 26, 2010. The bonds bear interest at 1.75% - 3.95% per annum and are repayable in installments of \$20,000 - \$25,000 per year through May 15, 2022.

The 2010 highway allocation fund pledge bonds for \$190,000 were issued to refinance certain warrants payable at April 26, 2010. The bonds bear interest at 1.75% - 3.75% per annum and are repayable in installments of \$15,000 - \$25,000 per year through May 15, 2020.

The 2010 sales tax refunding bonds for \$425,000 were issued to refinance the 2004 refunding bond issue. The bonds bear interest at .80% - 1.20% per annum and are repayable in installments of \$135,000 - \$150,000 per year through November 1, 2013.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

9. Bonds Payable - Continued

The details of bonds payable are as follows:

|                | Balance<br>September 30,<br>2012 | Issue       | Payments          | Balance<br>September 30,<br>2013 |
|----------------|----------------------------------|-------------|-------------------|----------------------------------|
| 2009 Reissue   |                                  |             |                   |                                  |
| Bonds          | \$ 350,000                       | \$ -        | \$ 45,000         | \$ 305,000                       |
| 2009 G.O.V.P.  |                                  |             |                   |                                  |
| Bonds          | 730,000                          | -           | 50,000            | 680,000                          |
| 2010 G.O.P.    |                                  |             |                   |                                  |
| Bonds          | 225,000                          | -           | 20,000            | 205,000                          |
| 2010 H.A.F.P.  |                                  |             |                   |                                  |
| Bonds          | 170,000                          | -           | 15,000            | 155,000                          |
| 2010 Refunding |                                  |             |                   |                                  |
| Bonds          | <u>290,000</u>                   | <u>-</u>    | <u>140,000</u>    | <u>150,000</u>                   |
|                | <u>\$ 1,765,000</u>              | <u>\$ -</u> | <u>\$ 270,000</u> | <u>\$ 1,495,000</u>              |

Total debt service of bonds payable to maturity is as follows:

| Maturities  | Interest<br>Rate | Principal           | Interest          | Total               |
|-------------|------------------|---------------------|-------------------|---------------------|
| 2014        | 1.20 - 2.65      | \$ 285,000          | \$ 47,846         | \$ 332,846          |
| 2015        | 2.45 - 2.90      | 140,000             | 43,632            | 183,632             |
| 2016        | 2.80 - 3.15      | 145,000             | 39,803            | 184,803             |
| 2017        | 3.20 - 3.35      | 145,000             | 35,399            | 180,399             |
| 2018        | 3.40 - 3.55      | 165,000             | 30,604            | 195,604             |
| 2019 - 2023 | 3.60 - 4.40      | 540,000             | 75,104            | 615,104             |
| 2024        | 4.50             | 75,000              | 3,375             | 78,375              |
| Total       |                  | <u>\$ 1,495,000</u> | <u>\$ 275,763</u> | <u>\$ 1,770,763</u> |

For the year ending September 30, 2013, the interest paid was \$53,066, the agent fee was \$120.

10. Capitalized Lease Payable

In April, 2010, the City of Auburn entered into a capital lease with Trinity, a division of Bank of the West, to fund the purchase of a 2010 Hyundai wheel loader for \$62,725. The capitalized lease is due in three equal payments of \$22,590 through May 15, 2013. The internal interest rate is approximately 3.90% per annum. The capital lease was paid off during the current year ending September 30, 2013.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

11. Lease Commitments

In August, 2007, the City entered into an annual lease agreement with Nemaha County for the rent of the police headquarters and for dispatching services, teletype fees, photo copies, supplies and other services. The City was liable to Nemaha County for minimum monthly lease payments of \$4,167 for three months ended December 31, 2012 and paid the county \$12,500. A new three-year lease was signed in August, 2012. On November 28, 2012, the City entered into a new interlocal agreement with Nemaha County to provide complete law enforcement services and duties provided by the Nemaha County Sheriff's Office. Starting January 1, 2013, the City was liable to Nemaha County for minimum monthly payments of \$23,583 for nine months ended September 30, 2013 and paid the county \$212,247. The agreement continues for another 27 months through December 31, 2015. Under the new agreement, the City is also required to give the county \$10,000 per year for replacement vehicle costs. The City gave the county three of its patrol vehicles in January 2013 (net book value of \$56,073) to satisfy this requirement for 2013 - 2015. The costs for 2014 and 2015 has been set up as a prepaid expense. The annual minimum commitment is as follows:

|      |                   |
|------|-------------------|
| 2014 | \$ 293,000        |
| 2015 | 293,000           |
| 2016 | <u>70,750</u>     |
|      | <u>\$ 656,750</u> |

12. Keno Operation

In March, 2012, the City contracted with Zelinger Keno, Inc. to operate the keno activity in Auburn, Nebraska. The operator maintains a separate self-balancing set of accounts for the keno activity in a trust-type manner. On a monthly basis, the net proceeds are transferred to the City and deposited in the City of Auburn keno account. This account has been combined with other general fund activities in the foregoing financial statements. A summary of the keno account activity for the twelve months ended September 30, 2013 is as follows.

|                               |                  |
|-------------------------------|------------------|
| Balance - beginning of period | <u>\$ 96,209</u> |
| Receipts:                     |                  |
| Interest                      | 118              |
| Proceeds from operator        | <u>15,945</u>    |
| Total receipts                | <u>16,063</u>    |
| Disbursements:                |                  |
| Bank charges                  | 15               |
| Community betterment -        |                  |
| Fire Hall                     | 4,354            |
| Theater seating               | 30,000           |
| Nebraska sales tax            | <u>3,774</u>     |
| Total disbursements           | <u>38,143</u>    |
| Balance - end of period       | <u>\$ 74,129</u> |

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

13. Risk Management

The City is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage or settlement amounts exceeding insurance coverage for the current year or in the past three fiscal years.

14. Contingencies:

Compensated Absences

The City allows its employees to accumulate vacation hours for future use or for payment upon termination, retirement or death. This accumulation is not recognized as an expenditure by the City until used or paid. The City's approximate liability for unrecognized employee vacation pay was \$20,968 at September 30, 2013.

Sick pay can only be used if the employee is sick and is not payable upon termination, retirement or death. This accumulation is not recognized as an expenditure by the City until used or paid. The City's approximate liability for unrecognized employee sick pay was \$28,916 at September 30, 2013.

Community Development Block Grant

The City participates in a number of federally assisted programs, principal of which is the Community Development Block Grant. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for, or including the twelve months ended September 30, 2013, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

15. Loan Agreement with Nebraska Department of Economic Development

On August 23, 1993, the City signed a promissory note with the Nebraska Department of Economic Development for a \$400,000 Community Development Block Grant. The City then loaned these funds to a business located in Auburn. The City's liability for repayment of this note is limited to the principal amounts the City receives as repayment from the local business, if the repayments are not reinvested in a like grant project. During the current year, \$2,000 of principal was paid back and \$36 of interest earned and \$0 was reloaned out to another business and \$2,204 was expended for fees. At September 30, 2013, the City had \$18,165 in its C.D.B.G. reuse account.

CITY OF AUBURN, NEBRASKA  
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013

16. Community Redevelopment Authority

The City has entered into several Tax Incremental Financing projects through its Community Redevelopment Authority. The City combined its redevelopment plan for a blighted area known as Auburn #1 and SE Property Area into the Bucket TIF. Within this area the City is collecting incremental taxes that can be used on façade restorations, street improvements, alley resurfacing, parking areas and other exterior infrastructure improvements. During the year, the City collected tax receipts of \$142,047 and interest of \$511. Total expenditures were \$7,369, consisting of \$1,565 for legal fees, \$108 for publishing costs and \$5,696 for loan payments. The balance in the project is \$432,280 at September 30, 2013. The City has a second redevelopment plan known as NW Sewer Area, which has been expanded to cover the same area as the Bucket TIF. Initially, the plan was to be used to acquire necessary easements and construct and install a sanitary sewer main through the development area, together with related and ancillary improvements. The City has collected no tax receipts and earned interest of \$91. Total expenditures were \$9 for publishing costs. The balance in the project is \$63,784 at September 30, 2013.

The other type is a Tax Allocation Borrower/ Lender Plan used to finance commercial ventures whereby the City borrows funds from a bank and then reloans these funds to the entity. The loan repayments are set on a 15-year term with a fixed interest rate. The County Treasurer collects the TIF taxes, remits the same to the City, and the City in turn makes the loan payment directly to the bank for the entity. The City currently has six TIF Redevelopment Projects in process with five entities. Each TIF Redevelopment Project is approved by the City Council on a separate resolution. To date the City has borrowed \$854,706 and reloaned \$790,816 of these funds. During the year \$70,816 was collected through TIF taxes and earned \$152 in interest. Total expenditures were \$86,392 consisting of \$1,999 for legal fees, \$16 for publishing costs and \$84,377 for loan repayments. The balance in these projects is \$75,334 at September 30, 2013.

17. Subsequent Events

The City evaluated subsequent events after the balance sheet date of September 30, 2013 through October 29, 2013, which was the date the financial statements were issued. The City has concluded there are no subsequent events, which have occurred from September 30, 2013 through October 29, 2013, which require additional disclosure.

18. Loan Agreement with Nebraska Department of Environmental Quality

On April 13, 2009, the City adopted a loan resolution authorizing and providing for the incurrence of indebtedness for the purpose of providing portions of the cost of repairing and improving the Board of Public Works' Water Supply System. A loan, dated July 13, 2009, between the City and the Nebraska Department of Environmental Quality (NDEQ) was designated as Project No. D311499. The City further resolved that the Board of Public Works be authorized and directed to sign all necessary documents to furnish such assurances to the State of Nebraska as may be required by law or regulations and to receive all payments. As the asset is shown as being part of the Board of Public Works, all debt activity is also shown as being part of the Board of Public Works. The outstanding NDEQ loan was \$5,705,653 at December 31, 2012.



## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUBURN, NEBRASKA  
COMBINED STATEMENTS OF RECEIPTS AND DISBURSEMENTS  
- BUDGET AND ACTUAL -  
GENERAL, DEBT SERVICE AND SPECIAL REVENUE FUNDS – PRIMARY GOVERNMENT  
BUDGETARY BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

|   | Original<br>Final<br>Budget | Actual            | Variance with<br>Budget<br>Favorable/<br>(Unfavorable) |
|---|-----------------------------|-------------------|--|
| Receipts:   |                             |                   |  |
| Taxes – personal property   | \$ 647,731                  | \$ 653,187        | \$ 5,456   |
| Taxes – sales   | 400,000                     | 431,618           | 31,618   |
| Special assessments levied  | 44,700                      | 80,918            | 36,218   |
| Licenses and permits  | 17,000                      | 13,390            | (3,610)  |
| Intergovernmental   | 663,964                     | 673,784           | 9,820  |
| Charges for services  | 116,600                     | 184,188           | 67,588   |
| Miscellaneous   | 33,276                      | 26,870            | (6,406)  |
| Total receipts  | <u>1,923,271</u>            | <u>2,063,955</u>  | <u>140,684</u>   |
| Disbursements:  |                             |                   |  |
| Current:  |                             |                   |  |
| General government  | 873,346                     | 623,538           | 249,808  |
| Public works  | 269,659                     | 257,139           | 12,520   |
| Public health and safety  | 47,486                      | 46,009            | 1,477  |
| Cultural and recreational   | 328,319                     | 399,979           | (71,660)   |
| Debt service:   |                             |                   |  |
| Principal retirement  | 291,728                     | 291,728           | -  |
| Interest  | 53,853                      | 53,066            | 787  |
| Bond handling fee   | 200                         | 120               | 80   |
| Total disbursements   | <u>1,864,591</u>            | <u>1,671,579</u>  | <u>193,012</u>   |
| Excess of receipts over (under) disbursements   | <u>58,680</u>               | <u>392,376</u>    | <u>333,696</u>   |
| Other financing sources:  |                             |                   |  |
| CDBG programs   | 196,511                     | 199,899           | 3,388  |
| Gross keno proceeds   | 16,000                      | 29,866            | 13,866   |
| Community Redevelopment Authority – net   | -                           | 119,091           | 119,091  |
| Miscellaneous   | -                           | 312               | 312  |
| Transfer from other funds   | -                           | -                 | -  |
| Total other financing sources (uses)  | <u>212,511</u>              | <u>349,168</u>    | <u>136,657</u>   |
| Other financing uses:   |                             |                   |  |
| CDBG programs   | 226,413                     | 182,445           | 43,968   |
| Keno expenditures   | 89,209                      | 51,946            | 37,263   |
| Capitalized outlays   | 404,000                     | 56,700            | 347,300  |
| Total other financing uses  | <u>719,622</u>              | <u>291,091</u>    | <u>428,531</u>   |
| Excess (deficiency) of receipts and other<br>financing sources over disbursements<br>and other financing uses | <u>\$ (448,431)</u>         | <u>\$ 450,453</u> | <u>\$ 898,884</u>                                      |

CITY OF AUBURN, NEBRASKA  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE

1. BUDGETARY ACCOUNTING

The City prepares its budgets on the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the City and expenditures are recognized when cash is disbursed. The basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF AUBURN, NEBRASKA  
SUMMARY OF REVENUES RECEIVED – MODIFIED CASH BASIS  
GENERAL AND DEBT SERVICE FUNDS  
SEPTEMBER 30, 2013  
(SUPPLEMENTARY DATA)

|                                       | <u>Governmental Fund Types</u> |                         |                     |
|---------------------------------------|--------------------------------|-------------------------|---------------------|
|                                       | <u>General</u>                 | <u>Debt<br/>Service</u> | <u>Totals</u>       |
| Taxes:                                |                                |                         |                     |
| General property and other taxes      | \$ 578,582                     | \$ 41,121               | \$ 619,703          |
| Interest on tax collections           | 3,168                          | 254                     | 3,422               |
| Sales tax                             | -                              | 431,618                 | 431,618             |
| Homestead exemption allocation        | 25,954                         | 2,087                   | 28,041              |
| Car line tax                          | 109                            | 9                       | 118                 |
| Motor vehicle pro-rate tax allocation | 1,762                          | 141                     | 1,903               |
| Total taxes                           | <u>609,575</u>                 | <u>475,230</u>          | <u>1,084,805</u>    |
| Special assessments collected         | <u>-</u>                       | <u>80,918</u>           | <u>80,918</u>       |
| Licenses and permits                  | <u>13,390</u>                  | <u>-</u>                | <u>13,390</u>       |
| Intergovernmental:                    |                                |                         |                     |
| Auburn Board of Public Works          | 113,337                        | -                       | 113,337             |
| Highway incentive payments            | 4,000                          | -                       | 4,000               |
| State revenue sharing:                |                                |                         |                     |
| Highway allocation                    | 309,186                        | -                       | 309,186             |
| Motor vehicle fee                     | 27,227                         | -                       | 27,227              |
| Equalization                          | 202,006                        | -                       | 202,006             |
| State aid                             | 1,111                          | -                       | 1,111               |
| Nemaha Cty MFO                        | 8,769                          | -                       | 8,769               |
| Federal and state grants              | 5,228                          | -                       | 5,228               |
| State license and fines               | 2,920                          | -                       | 2,920               |
| Total intergovernmental               | <u>673,784</u>                 | <u>-</u>                | <u>673,784</u>      |
| Charges for services:                 |                                |                         |                     |
| Recreation Committee                  | 48,154                         | -                       | 48,154              |
| Pool receipts                         | 57,852                         | -                       | 57,852              |
| Lessons                               | 6,000                          | -                       | 6,000               |
| Franchise fees                        | 72,182                         | -                       | 72,182              |
| Total charges for services            | <u>184,188</u>                 | <u>-</u>                | <u>184,188</u>      |
| Miscellaneous:                        |                                |                         |                     |
| Investment income                     | 2,611                          | -                       | 2,611               |
| Other                                 | 24,253                         | -                       | 24,253              |
| Total miscellaneous                   | <u>26,864</u>                  | <u>-</u>                | <u>26,864</u>       |
| Total                                 | <u>\$ 1,507,801</u>            | <u>\$ 556,148</u>       | <u>\$ 2,063,949</u> |

CITY OF AUBURN, NEBRASKA  
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS  
GENERAL FUND  
SEPTEMBER 30, 2013  
(SUPPLEMENTARY DATA)

|                                    | <u>General<br/>Government</u> | <u>Cultural<br/>and<br/>Recreational</u> | <u>Public<br/>Health and<br/>Safety</u> | <u>Public<br/>Works</u> | <u>Total</u>        |
|------------------------------------|-------------------------------|--|---|-------------------------|---------------------|
| Salaries/Personal services         | \$ 179,493                    | \$ 133,091                               | \$ 5,723                                | \$ 109,159              | \$ 427,466          |
| Employee benefits                  | 48,996                        | 24,343                                   | 3,500                                   | 36,407                  | 113,246             |
| Utilities                          | 8,564                         | 35,320                                   | 7,823                                   | 8,478                   | 60,185              |
| Repairs and maintenance            | 30,322                        | 63,292                                   | 17,887                                  | 13,975                  | 125,476             |
| Meeting expense                    | 2,478                         | 70                                       | 1,648                                   | 60                      | 4,256               |
| Insurance                          | 12,522                        | 12,012                                   | 3,847                                   | 7,149                   | 35,530              |
| Recreation expenses                | -                             | 41,849                                   | -                                       | -                       | 41,849              |
| Audit and consultation             | 84,203                        | -  | -                                       | -                       | 84,203              |
| Memberships and schools            | 7,717                         | 215                                      | 2,453                                   | -                       | 10,385              |
| Office supplies and services       | 5,413                         | -  | -                                       | 230                     | 5,643               |
| Licenses and taxes                 | 3,363                         | -  | -                                       | -                       | 3,363               |
| Custodial services                 | -                             | 13,208                                   | 250                                     | 4,658                   | 18,116              |
| Miscellaneous                      | 1,995                         | 6,548                                    | 38                                      | 156                     | 8,737               |
| Gas, oil and tires                 | -                             | -  | -                                       | 21,922                  | 21,922              |
| Supplies                           | 5,000                         | 36,440                                   | 1,790                                   | 38,910                  | 82,140              |
| Books                              | -                             | 16,392                                   | -                                       | -                       | 16,392              |
| Radio dispatchers                  | 234,750                       | -  | -                                       | -                       | 234,750             |
| Grant expenditures                 | 27,334                        | -  | -                                       | -                       | 27,334              |
| Economic development               | 2,000                         | -  | -                                       | -                       | 2,000               |
| Trees and care                     | 3,572                         | -  | -                                       | -                       | 3,572               |
| Land rent                          | -                             | -  | -                                       | 6,000                   | 6,000               |
| Sales tax remitted                 | -                             | 3,396                                    | -                                       | -                       | 3,396               |
| Fire chief expenses                | -                             | -  | 1,050                                   | -                       | 1,050               |
| Safety program                     | 187                           | -  | -                                       | -                       | 187                 |
| Capital outlay –<br>noncapitalized | -                             | 13,802                                   | -                                       | 10,035                  | 23,837              |
| Totals                             | <u>\$ 657,909</u>             | <u>\$ 399,978</u>                        | <u>\$ 46,009</u>                        | <u>\$ 257,139</u>       | <u>\$ 1,361,035</u> |

CITY OF AUBURN, NEBRASKA  
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS  
GENERAL GOVERNMENT FUND  
SEPTEMBER 30, 2013  
(SUPPLEMENTARY DATA)

|                                     | <u>General<br/>Fund</u> | <u>Police</u> | <u>Total</u> |
|-------------------------------------|-------------------------|---------------|--------------|
| Salaries/Personal services          | \$ 117,669              | \$ 61,824     | \$ 179,493   |
| Employee benefits                   | 32,743                  | 16,253        | 48,996       |
| Utilities                           | 8,042                   | 522           | 8,564        |
| Repairs and maintenance             | 10,785                  | 19,537        | 30,322       |
| Meeting expense                     | 2,015                   | 463           | 2,478        |
| Insurance                           | 10,629                  | 1,893         | 12,522       |
| Audit and consultation              | 56,835                  | 27,368        | 84,203       |
| Memberships and schools             | 7,717                   | -             | 7,717        |
| Office supplies and services        | 5,413                   | -             | 5,413        |
| Licenses and taxes                  | 3,363                   | -             | 3,363        |
| Miscellaneous                       | 1,810                   | 185           | 1,995        |
| Tree program expense                | 3,572                   | -             | 3,572        |
| Supplies                            | -                       | 5,000         | 5,000        |
| Interlocal costs of law enforcement | -                       | 234,750       | 234,750      |
| Grant expenditures                  | 27,334                  | -             | 27,334       |
| Economic development                | 2,000                   | -             | 2,000        |
| Safety program                      | 187                     | -             | 187          |
|                                     | <hr/>                   | <hr/>         | <hr/>        |
| Totals                              | \$ 290,114              | \$ 367,795    | \$ 657,909   |
|                                     | <hr/>                   | <hr/>         | <hr/>        |

CITY OF AUBURN, NEBRASKA  
SUMMARY OF EXPENDITURES PAID – MODIFIED CASH BASIS  
CULTURAL AND RECREATIONAL – PART OF GENERAL FUND  
SEPTEMBER 30, 2013  
(SUPPLEMENTARY DATA)

|                                 | <u>Parks</u>     | <u>Recreation<br/>Committee</u> | <u>Swimming<br/>Pool</u> | <u>Library</u>    | <u>Senior<br/>Citizen</u> | <u>Total</u>      |
|---------------------------------|------------------|---------------------------------|--------------------------|-------------------|---------------------------|-------------------|
| Salaries/Personal services      | \$ 15,191        | \$ -                            | \$ 53,679                | \$ 64,221         | \$ -                      | \$ 133,091        |
| Employee benefits               | 2,322            | -                               | 6,780                    | 15,241            | -                         | 24,343            |
| Utilities                       | 11,225           | -                               | 12,084                   | 6,779             | 5,232                     | 35,320            |
| Repairs and maintenance         | 29,243           | -                               | 24,415                   | 6,991             | 2,643                     | 63,292            |
| Meeting expenses                | -                | -                               | -                        | 70                | -                         | 70                |
| Insurance                       | 3,334            | -                               | 2,081                    | 3,113             | 3,484                     | 12,012            |
| Recreation expenses             | -                | 41,849                          | -                        | -                 | -                         | 41,849            |
| Custodial services              | -                | -                               | 2,672                    | 8,068             | 2,468                     | 13,208            |
| Membership and schools          | -                | -                               | -                        | 215               | -                         | 215               |
| Miscellaneous                   | 3,428            | -                               | 1,986                    | 989               | 145                       | 6,548             |
| Supplies                        | 8,433            | -                               | 14,191                   | 4,816             | 9,000                     | 36,440            |
| Books                           | -                | -                               | -                        | 16,392            | -                         | 16,392            |
| Sales tax remitted              | -                | -                               | 3,396                    | -                 | -                         | 3,396             |
| Capital outlay – noncapitalized | <u>13,802</u>    | <u>-</u>                        | <u>-</u>                 | <u>-</u>          | <u>-</u>                  | <u>13,802</u>     |
| Totals                          | <u>\$ 86,978</u> | <u>\$ 41,849</u>                | <u>\$ 121,284</u>        | <u>\$ 126,895</u> | <u>\$ 22,972</u>          | <u>\$ 399,978</u> |



CITY OF AUBURN, NEBRASKA  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
(SUPPLEMENTARY DATA)

| <u>Program</u>   | <u>Federal<br/>CFDA #</u> | <u>Program</u>    |                     |
|--|---------------------------|-------------------|---------------------|
|  |                           | <u>Receipts</u>   | <u>Expenditures</u> |
| Department of Housing<br>and Economic<br>Development:<br>Community<br>Development Block<br>Grants: |                           |                   |                     |
|  | #91-ED-006: Reuse         | \$ 2,000          | \$ -                |
|  | #91-HD-006: Reuse         | 6,944             | -                   |
|  | #91-DTR-006: Reuse        | 11,205            | -                   |
|  | #10-DTR-005               | 95,868            | 95,866              |
|  | #09-HO-6044               | <u>83,882</u>     | <u>83,884</u>       |
|  |                           | 199,899           | 179,750             |
| Administration   |                           | -                 | 2,695               |
| Project expenses   |                           | -                 | -                   |
| Reuse miscellaneous expense  |                           | -                 | -                   |
|  |                           | <u>\$ 199,899</u> | <u>\$ 182,445</u>   |

CITY OF AUBURN, NEBRASKA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Reporting Entity

The City of Auburn, for purposes of the Schedule of Expenditures of Federal Awards, includes all funds for which the City is financially accountable.

3. Pass Through Awards

The City receives certain federal awards in the form of pass-through awards from the State of Nebraska and other various agencies. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

4. Contingencies

The City receives funds under various federal grant programs, and such assistance is to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies, which may impose sanctions in the event of noncompliance. Management believes that they have complied with all material aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impacts.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council  
City of Auburn  
Auburn, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Auburn, Nebraska as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Auburn, Nebraska's basic financial statements and have issued our report thereon dated October 29, 2013. Our report contains an adverse and qualified opinion because of the omission of an enterprise fund and an explanatory paragraph regarding use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Auburn, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Auburn, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Auburn, Nebraska's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Auburn, Nebraska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-1 and 2013-2.

We noted certain matters that we reported to management of the City of Auburn, Nebraska in a separate letter dated October 29, 2013.

### **City of Auburn's Response to Findings**

The City of Auburn, Nebraska's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Auburn, Nebraska's response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Certified Public Accountants

Omaha, Nebraska  
October 29, 2013

CITY OF AUBURN, NEBRASKA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2013

As noted in our independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, we identified two findings that we consider to be significant deficiencies.

Significant Deficiencies

2013-1

The City Clerk has access to or responsibility for certain duties that compromise the segregation of duties. The City Clerk has access to cash, prepares bank deposits, reconciles bank accounts and can prepare and post journal entries.

Council Response

The City acknowledges the compromises to its segregation of duties based on current staffing levels. The City has assigned the City Treasurer to oversee the City Clerk. He reviews and approves all payment vouchers prior to each City Council meeting and reviews all journal entries. Other than the latter, the City does not believe the benefits of eliminating this significant deficiency outweigh the cost of adding more accounting personnel to the City's current staff.

2013-2

The City Clerk lacks the expertise to detect and correct a potential misstatement in the presentation of its financial statements or notes in accordance with accounting principles generally accepted in the United States of America and *Government Accounting Standards*.

Council Response

The City acknowledges its lack of financial reporting expertise to prepare its financial statements or notes in accordance with accounting principles generally accepted in the United States of America and *Government Accounting Standards*. However, the City does not believe the benefits of eliminating this material weakness outweigh the cost of adding more accounting personnel to the City's current staff. Therefore, the City will continue to outsource this function.